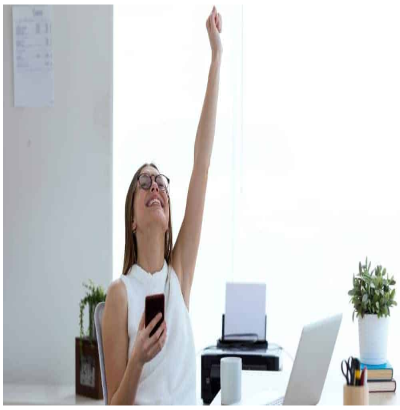

Rogers (TSX:RCI.B) Stock: Here’s Why You Should Buy the Dip

Description

Telecom stocks broadly have performed well in 2019. Wireless customer additions have fueled growth at these companies in recent years, but the current economic climate has also pushed income investors back into stable equities like telecoms, utilities, and REITs. However, the surge in unlimited data plans has generated revenue headwinds for Canada’s top telecoms.

Today I want to look at three telecoms whose stocks have plunged sharply in late October and early November.

Rogers Communications

Rogers Communications (TSX:RCI.B)(NYSE:RCI) stock has dropped 7.6% over the past three months as of early afternoon trading on November 8. This rout in the back half has pushed Rogers into negative territory in 2019. Rogers sparked the sell-off when it reduced its guidance in its third-quarter earnings report.

The company reported a profit of $593 million in the third quarter, down from $594 million in the prior year. Revenue fell from $3.77 billion in Q3 2018 to $3.75 billion. Profit also declined marginally on an adjusted basis. Rogers slashed its revenue guidance and now forecasts a range between a decrease of 1% to an increase of 1%. Adjusted EBITDA guidance was reduced to a growth range between 3% and 5%.

Shares of Rogers now possess a price-to-earnings ratio of 14.6 and a price-to-book value of 3.3. The stock has climbed out of technically oversold territory. Rogers’ peers released earnings that were more encouraging over the past few weeks. Is Rogers a buy-the-dip opportunity? Let’s look at the other two first.

Other telecoms

Telus stock has climbed 4.4% over the past three months. Shares are up 12.5% in 2019 so far. The company released its third quarter 2019 results on November 7.

The telecom reported operating revenue of $3.7 billion, which was down from $3.77 billion from the previous year. Net income fell to $440 million or $0.72 per share compared to $447 million or $0.72 per share in Q3 2018.

Telus posted a 13% increase in wireless net additions to 193,000 and wireline customer additions of 53,000, which led its peers. The biggest surprise was Telus raising its quarterly dividend to $0.5825 per share. This now represents a 4.7% yield. The post-earnings stock surge has put Telus in technically overbought territory with an relative strength index of 70 at the time of writing.

Shares of **BCE** have climbed 21.8% in 2019 so far. In the third quarter the company reported record wireless net additions of 204,067, which were up 14.8% year over year. Net earnings increased 6.3% from the prior year to $922 million. Cash flows from operating activities rose 10.5% to $2.25 billion as free cash flow increased by 17.3%. The company maintained its quarterly dividend of $0.7925 per share, representing a 5% yield.

Should you buy-the-dip at Rogers?

Rogers is Canada's largest telecom and is an established dividend payer. The company is still on track for a 3% to 5% increase in EBITDA for the full year, and it adjusted down its capital expenditure in response to the downtick in earnings. Rogers and other telecoms had to swallow this bitter pill at some point, but most customers are still moving to a higher price plan. Ignore the short-term bite and pick up Rogers for the long term.

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